

State of the Union: 'Second American Revolution'

Special to The New York Times

WASHINGTON, Feb. 5 — Following is the text of President Reagan's address tonight on State of the Union.

Mr. Speaker, Mr. President, distinguished members of Congress, honored guests and fellow citizens: I am both honored to report on the state of our Union. And I am pleased to report that, after four years of effort, the American people have brought forth a nation renewed — stronger, freer and more secure than before.

For tonight we are here changing — forever, I hope — our assumptions about government and its place in our lives. Out of that change has come great and robust growth — in our confidence, our economy, and our role in the world.

Tonight, America is stronger because of the values we hold dear. We believe faith and freedom must be our guiding stars, for they show us truth, make us brave, give us hope, and lead us wiser than we were. Our progress begins at home, in D.C., but in the hearts of our families, communities, workplaces, and voluntary groups which, together, are unleashing the invincible spirit of one great nation under God.

Four years ago, we said we would invigorate the American people, give greater freedom and incentives to take risks and let them keep more of what they earned.

We did what we promised, and a great industrial giant is reborn. Tonight we can take pride in 15 straight months of economic growth, the longest in 30 years; a year-over-year inflation average of 3.9 percent, the lowest in 17 years; and 7.3 million new jobs in two years, with more of our citizens working than ever before.

Seeds for Future Success

New freedom in our lives has planted the seeds for future success:

For an America of wisdom that honors the family and sees that as the family goes, so goes our civilization.

For an America of vision that sees tomorrow's dreams in the learning and hard work we do today:

For an America of courage whose service men and women, even as we meet, proudly stand watch on the frontiers of freedom;

For an America of compassion that opens its heart to those who cry out for help.

We have begun well. But it's only a beginning. We are not here to congratulate ourselves on what we have done, but to challenge ourselves to finish what has not yet been done.

We are here to speak for millions in our inner cities who long for real jobs, safe neighborhoods and schools that truly teach. We are here to speak for the millions of Americans, the entrepreneur and every worker in industries fighting to modernize and compete. And, yes, we are here to stand, and proudly so, for all who struggle to break free from totalitarianism and for all who know in their hearts that freedom is the true path to peace and human happiness.

Proverbs tells us, without a vision the people perish. When asked what great principle holds our Union together, Abraham Lincoln said, "Something like a Declaration giving liberty and justice to the people of this country, but hope to the world for all future time."

Native Is Poised for Greatness

We honor the giants of our history not by going back, but forward to the dreams their vision foretold. My fellow citizens, this nation is poised for greatness. The time has come to proceed toward a great new challenge — a Second American Revolution of hope and opportunity, a revolution that carries us to new heights of progress by pushing back frontiers of knowledge and space; a revolution of spirit that taps the soul of America, enabling us to summon greater strength than we have ever known.

In Europe, they call it "the American Miracle." Day by day, we are shattering accepted notions of what is possible. When I was a young man, I used to dream of a new thing called radio that would transform our ketchup. Well, today many have not yet seen how advanced in technology that carries on our shoulders, a revolution that carries freedom in a world at peace.

Let us begin by challenging conventional wisdom: There are no constraints on the human mind, no walls around the human spirit, no barrier to our progress except that of our own imagination. Already, pushing down tax rates has freed our economy to vault forward to record growth.

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There are no constraints on the human mind, no walls around the human spirit, no barrier to our progress except that of our own imagination. Already, pushing down tax rates has freed our economy to vault forward to record growth.

Let us resolve that we will stop spreading dependency and start spreading opportunity. Let us stop creating bondage and start spreading freedom.

There are some who say growth initiatives must await final action on deficit reductions. The best way to reduce deficits is through economic growth. More business will be started, more investments made, more jobs created, more tax revenue generated, more pay taxes. The best way to reduce Government spending is to reduce the need for spending by increasing prosperity. Each additional percentage point per year of real G.N.P. growth will lead to a cumulative reduction of deficits of nearly \$200 billion over five years.

Threshold of Great Advance

New laser techniques could revolutionize heart bypass surgery, cut diagnosis time for viruses linked to cancer from weeks to minutes, reduce hospital costs dramatically and hold out new promise for saving human life.

Our automobile industry has overhauled assembly lines, increased worker productivity and is competitive once again.

We stand on the threshold of a great ability to produce more, do more, be more. Our economy is not getting older and weaker; it's

getting younger and stronger; it doesn't need rest and supervision to succeed. And that word — freedom — is the key to the Second American Revolution we must bring about.

Let us move together with an historic reform of our tax code for fairness and growth. Last year, we asked the Secretary of Treasury Reagan to develop a plan to simplify the tax code, so all taxpayers would be treated more fairly, and personal tax rates could come further down.

We have cut tax rates by almost 25 percent, yet our tax system remains unfair and limits our potential for growth. Exclusions and exemptions cause similar incomes to be taxed at different levels. Low-income families face steep tax barriers that make hard lives even harder.

The Treasury Department has produced a comprehensive plan whose principles will guide the final proposal we will ask you to enact.

One thing that tax reform will not be is a tax increase in disguise. We will not jeopardize the tax-free interest deduction families need. We will reduce personal tax rates as low as possible by removing many tax preferences. We will propose a top rate of no more than 35 percent, and possibly lower. And we will propose reducing corporate rates while maintaining incentives for capital formation.

To encourage opportunity, rather than dependency and welfare, we will propose that individuals living at or near the poverty line be totally exempt from Federal income tax. To restore fairness to families, we will propose increasing significantly the personal exemption.

Tonight, I am instructing Treasury Secretary James Baker to begin working with Congressional authors and committees for bipartisan legislation conforming to these principles. We call upon the American people for their support of a Second American Revolution that carries the promise of opportunity for all. It is time to liberate the spirit of enterprise in the most distressed areas of our country.

This Government will meet its responsibility to the elderly by continuing to decrease dependency, break up families and destroy self-reliance are not progress, they are not responsible. Despite our strides in civil rights, blacks, Hispanics and all minorities will only have a military industrial complex to live on. That becomes the arsenal of democracy. Spending for defense is investing in things that are priceless: peace and freedom.

Third, we must reduce or eliminate costly Government subsidies. For example, deregulation of the airline industry has led to cheaper airfares, but on Amtrak taxpayers pay billions of dollars every year to keep Amtrak train leaves the station at 9:15 a.m. We must end this huge Federal subsidy.

Our farm program costs have quadrupled in recent years. Yet, I know from visiting farms that many in great financial distress, that we can spend no more than it takes in. And I ask for your help in reorienting our farm economy. We can help farmers best, not by expanding Federal programs, but by making fundamental reforms, keeping interest rates heading down and knocking down foreign trade barriers to American farm exports.

Protect Taxpayers From Government

We are moving ahead with Grace Commission to eliminate waste and improve Government's management practices. In the long run, we must protect the taxpayers from Government.

I ask again that you pass, as 32 states have proposed for, an amendment mandating the Federal budget to spend no more than it takes in. And I ask for your help in reorienting our farm economy. We can help farmers best, not by expanding Federal programs, but by making fundamental reforms, keeping interest rates heading down and knocking down foreign trade barriers to American farm exports.

The Federal Government can help create a new atmosphere of freedom. But states and many of which enjoy surpluses from the recovery, must not permit their tax and regulatory policies to stand as barriers to growth.

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Overall Spending to Be Friven

To move steadily toward a balanced budget we must also lighten Government's claim on our total economy. We must not do this by raising taxes. We must make sure that our economy grows faster than growth spending by the Federal Government. In our fiscal year 1986, the first year of our Government program spending will be frozen at current level; it must not be one dime higher than fiscal year 1985. Three points are key:

First, the social safety net for the elderly,

second that mark when he left office in January 1981.

Mr. Reagan's doctors have consistently declared him fit since he recovered from being shot in the chest in March 1981. He has a partial hearing loss, attributed to an accident in his days as an actor, and suffers allergies.

Earlier today, Congress leaders, under the musical direction of Robert H. Michel, the House minority leader, serenaded the President with a "Happy Birthday" cake and brought a cake.

Mr. Reagan told reporters Tuesday that he thought it was appropriate to mark his 70th anniversary with a "30th birthday."

"Just treat it as any other day," he said. "It makes me feel better to do it that way."

Dwight D. Eisenhower was the only other President over the age of 70, being 98 years

old when he left office in January 1961.

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Mr. Reagan received more than 5,000 birthday cards, messages and telegrams and scores of congratulatory phone calls from people around the country.

Sheila Tate, Nancy Reagan's press secretary, said the Reagans have dispensed with the tradition of a formal 70th birthday party, instead presenting themselves with a lighted pickup truck as a joint gift this Christmas.

The Reagans will break in the four-wheel drive vehicle at their ranch in California with a five-day holiday beginning next Wednesday.

Reagan Marks 74th Birthday

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Crossroads for sellers and buyers of Art: The New York Times

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